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SENSITIVE
SIPDIS

STATE PASS OPIC - RGREENBERG

E.O. 12958: N/A
TAGS: EINV EFIN FAID ECON PGOV PREL NU
SUBJECT: NICARAGUA: APPLICATION FOR OPIC FINANCE - FAMA, PROMUJER, BANEX, FDL

REF: (A) State 096859, (B) Managua 625, (C) Managua 116, (D) 2009
Investment Climate Statement, (E) 2008 Managua 1437, (F) 2008
Managua 1096

¶1. (SBU) The following information is provided in response to Ref A seeking Embassy Managua comments on OPIC's plans to provide financing to Banco del Exito (BANEX), FAMA, PROMUJER, and FDL, through its Microfinance Growth Fund (MIGROF).

¶2. (SBU) The microfinance industry is under threat in Nicaragua. The "No Pago" (No Payment) movement has forced many microfinance institutions (MFIs) to close their offices, especially in northern Nicaragua (Septel and Refs C and F). Weak rule of law and poor internal controls in some MFIs have made them susceptible to infighting and embezzlement (Septel and Ref B). Meanwhile, the GON's aggressive expansion into microfinance through the National Rural Fund (CARUNA) -- an MFI funded through the Bolivarian Alliance for the Americas (ALBA) -- has heightened competition in the industry (Ref E).

¶3. (SBU) Action Request: Embassy Managua recommends that OPIC send a team to Nicaragua to better understand these recent developments in the m

¶4. (SBU) Embassy Managua is not aware of any derogatory information specifically relating to these MFIs. The following is background information on each:

-- Banco de Exito (BANEX) was founded in 2002 as FINDESA, a nonbank MFI. It changed its name to BANEX in September of 2008 when the Superintendent

-- FAMA began operations in 1991 as a nongovernmental organization backed by a group of Nicaraguan entrepreneurs. In 2005 it became a nonbank financial entity regulated by SIBOIF, and in 2007 it was constituted as a corporation. FAMA focuses on lending to micro-businesses through its 27 branches nationwide. In March 2009, Fitch Ratings gave FAMA a rating of BBB.

-- PROMUJER is a nonprofit international development organization that supports women of scarce resources by providing financial (credit) and non-financial services (training in leadership, self esteem, sexual health, and family planning). The organization, which began in Bolivia and has expanded to Peru, Mexico and Argentina, was constituted in 1996 and has a total of five branches in five different departments of Nicaragua.

-- FDL is a nonprofit organization that provides financial services to micro, small and medium entrepreneurs, particularly women. FDL has 34 branches in 15 departments in Nicaragua and also provides non-financial services such as training for animal nutrition, dairy product processing, business management and others.

CALLAHAN